

Via Electronic Mail

June 29, 2011

Ms. Sandra Paske
Public Service Commission
P.O. Box 7854
Madison, WI 53707-7854

Re: Application of Wisconsin Public Service Corporation 6690-UR-120
For Authority to Adjust Electric and Natural Gas Rates

Dear Ms. Paske:

We are writing to call your attention to the damaging effects of a recent Commission order rendered in Wisconsin Public Service Corporation's most recent rate case. The individuals listed below who have signed this letter fall into one of two broad categories. The first constitutes renewable energy contractors, installers and membership organizations that are active in Wisconsin Public Service (WPS) territory. The second category consists of WPS customers who presently own renewable energy generation systems that serve their residences or businesses or who were planning to install a renewable energy generation system this year based on the net energy billing tariff in place in 2010. The radical reshaping of WPS's tariff has, in a few short months, led to a dramatic fall-off in customer interest in renewable energy systems, for the simple reason that the tariff is designed to render customer-sited solar and wind systems uneconomic and unworkable. Moreover, WPS has indicated that it plans to impose its punitive tariff on all customer-sited renewable energy systems under 20 kW, regardless of vintage.

In the 2010 rate cases involving Madison Gas & Electric (3270-UR-117) and WPS (6690-UR-120), the Commission approved changes to both utilities' net energy billing tariffs. The changes common to both utilities are as follows:

1. The capacity ceiling for net energy billing was increased from 20 kW to 100 kW; and
2. Generation that offset a customer's consumption would be credited at the full retail rate while generation that exceeded the customer's consumption would be credited at the utilities' avoided energy cost (between three and four cents per kWh).

However, the Commission also acceded to WPS's request to apply this new formula to each monthly bill, instead of a full calendar year or a rolling 12-month average. With a single rate, monthly billing presents no problems, since such a formula does not distinguish between offsetting load and exporting energy. When combined with a two tier-rate structure, however, the effect of monthly net energy billing is devastating to renewable energy contractors and to customers who are producing electricity under this tariff. Given the seasonal nature of renewable energy production and the fluctuations in output that will occur from one month to the next and from one year to the next, it is a challenge to match system size to a customer's load. Applying the net on each month instead of a 12-month period makes it all but impossible to predict how much of a system's output would offset customer consumption and how much would exceed the customer's load. This is significant information for installers and prospective system owners alike, because the economic difference between offsetting production at 12 cents/kWh and exporting energy to the grid at 3.2 cents/kWh is considerable. Moreover, the customer may have seasonal loads to account for which may not track well with the variability of solar and wind production. An example is a farmer who uses irrigation or has a corn-drying operation. The load profiles of those customers are such that a prospective system owner would be penalized severely for the nine or ten months that the load is not present. Under a 12-month cycle, the customer can more precisely balance the system size relative to his or her annual load profile. Under monthly net energy billing, though, it is not possible to calculate the financial returns from owning a qualifying renewable energy system, unless the system is downsized to the point where it can never exceed the load that occurs in the month with minimum load. Thus, monthly net energy billing is a formula for scaling down customer-sited solar and especially wind systems, which intentionally makes them more expensive on a per-kilowatt basis than they would be under a rolling 12-month average.

It's worth noting that Madison Gas & Electric did not, during its rate case proceeding, request this particular change to its net energy billing tariff. The utility uses a 12-month rolling average to calculate the net on a particular system. If a system owner produces more electricity than he or she uses in that 12-month period, the utility will credit that customer with a check at the end of that cycle. This is the practice that has prevailed in Wisconsin for nearly 30 years.

Indeed, the notion of calculating the net on monthly bills is a radical departure from past practices. Right now, only WPS has adopted this change to its tariff; however, other utilities with scheduled 2011 filings may follow in WPS's footsteps and seek permission to impose monthly netting for themselves. Should other utilities be granted permission to implement this tariff structure, the markedly diminished interest in customer-sited renewable energy systems that we already see in WPS territory would spread over a larger swath of Wisconsin, further diminishing the viability of small renewables.

We are also aware of at least two instances in WPS territory where the netting of energy is taking place in real time whenever energy production exceeds load. Some of the signatories to this letter will be filing a formal complaint on this particular practice.

We also wish to point out that WPS did not disclose its interest in pursuing a monthly net energy billing policy during the evidentiary phase of the 2010 rate case. The first time that monthly netting was even mentioned in that proceeding was in WPS's brief, after the hearing record had closed. We did not have any opportunity to present evidence supporting our view that monthly net energy billing is damaging to customers and renewable energy system owners. In fact, we did not know that monthly net energy billing was even on the table as a possible policy outcome until the Commission made its decision in March 2011. From our vantage point, it seems clear that the Commission made an arbitrary decision on this issue without a factual basis in the record.

Meanwhile, as indicated in a March 30 letter from Kevin Pitts, WPS is going full bore with its intentions to impose this tariff retroactively to all net energy billing customers. These customers sized their installations and paid for them in line with the expectation that the old tariff structure would remain through the lifetime of the system. It is difficult to imagine a more perverse way of treating customers than to change, without warning, the payment terms of their long-term investments in a way that reduces their value anywhere from one-third to two-thirds.

The quantity of electricity produced by customers under net energy billing tariffs is minuscule in relation to any utility's load. Moreover, there is no evidence in any Wisconsin rate proceeding that we know of that supports the proposition that net energy billing has had a measurable impact on rates. Without such evidence, it appears to us that this particular effort to diminish the return from customer investments in renewable energy serves no public policy objective whatsoever. If anything, it is the exact opposite, an effort by one private interest to marginalize the small renewable energy industry and strengthen its monopoly control over energy production.

This latest effort to marginalize renewable energy in Wisconsin fits a broader pattern of rollbacks that threatens to wipe the state clean of renewable energy going forward. These rollbacks, all occurring this year, include the following:

- 1) Suspension of PSC 128, the statewide wind energy siting rule that the PSC promulgated in late 2010, which has brought commercial wind development in Wisconsin to a standstill;

- 2) Passage of SB 81, a law allowing Wisconsin utilities to apply purchased power from large-scale hydroelectric sources in Canada toward their renewable energy requirements beginning in 2015;
- 3) A unilateral decision by We Energies to prematurely terminate its \$60 million commitment (\$6 million over a 10-year period) to renewable energy development within its service territory;
- 4) Reduced funding for Focus on Energy's overall budget beginning in 2012; and
- 5) Indefinite suspension of Focus on Energy business program incentives for renewable energy systems.

Needless to say, WPS's creation of an economically unattractive environment for customer-sited renewable energy systems are not occurring in a vacuum. However, it's worth noting that other states have not elected to follow Wisconsin's lead in creating an inhospitable environment for renewable energy development. In other states that have made policy commitments to accelerate the use of cleaner and more sustainable energy resources, renewables remain a significant driver of new jobs and business opportunities. Only in Wisconsin has there been a concerted effort to marginalize the renewable energy marketplace and shrink its in-state presence. To what end we have no clue.

In closing, we ask the Commission to review its seemingly hasty decision in the Wisconsin Public Service rate to approve net energy billing on a monthly basis, and allow us to present testimony documenting the detrimental effects from this policy on the small renewable energy marketplace and the customers that have invested thousands of dollars in these systems that yield benefits to other utility customers in addition to themselves. To this end we will be filing a formal complaint and request for hearing with the Commission within the next 10 days.

Below is a list of signatories to this letter, which includes a brief description of their interest in this matter.

Faruk "Rick" Abuzzahab, Jr. Wausau. Renewable energy system owner in WPS territory
/s/Faruk Abuzzahab, Jr.

Rich Bannen, Prairie Solar Power & Light, Prairie du Chien. Active installer in WPS territory
/s/Rich Bannen

Barb Basaj, SunSpec, LLC, Milwaukee. Site Assessor in Milwaukee, serving SE, E, and Central WI
/s/Barb Basaj

Chris Collins, H&H Solar Energy, Madison. Active installer in WPS territory
/s/Michael Dearing

Michael Dearing, Driftless Solar, Spring Green. Active installer in WPS territory
/s/Michael Dearing

David Enigl, Egg Harbor. Renewable energy system owner in WPS territory
/s/David Enigl

Maureen Faller, Kettle View Renewable Energy, Silver Creek, active installer in WPS territory
/s/Maureen Faller

Jim Funk, Energize LLC, Winneconne, active installer in WPS territory
/s/Jim Funk

Guy Fortin and Judy Samida, Sturgeon Bay. Renewable energy system owners in WPS territory
/s/Guy Fortin
/s/Judy Samida

George Geiser, Chilton, renewable energy system owner in WPS territory
/s/George Geiser

Daniel Harkins, Thermal Design, Stoughton
/s/Daniel Harkins

Ryan Harkins, Synergy Renewable Systems, McFarland, installer looking to work in WPS territory
/s/Ryan Harkins

John Hippensteel, Lake Michigan Wind and Sun, Sturgeon Bay. Installer active in WPS territory
/s/John Hippensteel

Nick Hylla, Executive Director, Midwest Renewable Energy Association, Custer. Members include renewable energy system owners in WPS territory and installers active in WPS territory
/s/Nick Hylla

Rick Immler, Woodruff. Renewable energy system owner in WPS territory
/s/Rick Immler

Jennifer Jenkins, Executive Director, Distributed Wind Energy Association, Flagstaff (AZ). Members include small wind turbine manufacturers and installers active in WPS territory
/s/Jennifer Jenkins

Jeff Knutson, A-A Exteriors, Waupaca. Renewable energy system owner in WPS territory
/s/Jeff Knutson

Alicia Leinberger, Seventh Generation Energy Systems, Madison. Installer active in WPS territory
/s/Alicia Leinberger

Chris Merklein, Arch Electric LLC, Plymouth. Installer active in WPS territory
/s/Chris Merklein

Dave and Helene Pagoria, Helene's Hilltop Orchard, Merrill. Renewable energy system owners in WPS territory,
/s/Dave Pagoria
/s/Helene Pagoria

Winston Ryan, M.D., Wausau. Renewable energy system owner in WPS territory,
/s/Winston Ryan

Mick Sagrillo, Sagrillo Power & Light, Forestville. Renewable energy system owner in WPS territory.
/s/Mick Sagrillo

Peter Sigmann, Sturgeon Bay. Renewable energy system owner in WPS territory
/s/Peter Sigmann

Glenn Speich Jr., Wausau. Renewable energy system owner in WPS territory.
/s/Glenn Speich Jr.

Zeus Stark, Next Step Energy, Eau Claire. Installer active in WPS territory
/s/Zeus Stark

Chaz & Gerry Steltenpohl, Stevens Point. Renewable energy system owners in WPS territory
/s/Chaz Steltenpohl
/s/ Gerry Steltenpohl

Josh Stolzenburg, North Wind Renewable Energy, Stevens Point. Installer active in WPS territory
/s/Josh Stolzenburg

Craig Tarr, Energy Concepts, Hudson. Installer active in WPS territory
/s/Craig Tarr

Amy Tavalkoski, ALT Energy, Sussex. Site assessor active in WPS territory.
/s/Amy Tavalkoski

Michael Vickerman, RENEW Wisconsin, Madison. Members include renewable energy system owners in WPS territory and installers/site assessors active in WPS territory
/s/Michael Vickerman

Mark Warnick, Full Spectrum Solar, Madison. Active installer in WPS territory
/s/Mark Warnick

Robert Welch, Waupaca. Renewable energy system owner in WPS territory
/s/Robert Welch

Edward Wenig, Chilton. Renewable energy system owner in WPS territory
/s/Edward Wenig

Laura West, West Winds Renewable Energy, Plover. Site assessor active in WPS territory.
/s/Laura West

Niels Wolter, Madison Solar Consulting, Madison. Active consultant in WPS territory
/s/Niels Wolter

Mark Yeager, SUN and Daughters LLC, Rhinelander. Installer active in WPS territory
/s/Mark Yeager